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EIC-D-446

ANNUAL REPORT TO THE USIB
OF THE
ECONOMIC INTELLIGENCE COMMITTEE

July 1960

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26 July 1960

ANNUAL REPORT TO THE USIB
OF THE
ECONOMIC INTELLIGENCE COMMITTEE

July 1959 - June 1960

Foreword

The Economic Intelligence Committee (EIC) was established under the Intelligence Advisory Committee (IAC) on 29 May 1951 (IAC-D-22/1, Revised). The EIC terms of reference were revised and reissued as Paragraph 3 of DCID 3/1, Production and Coordination of Economic Intelligence, on 10 June 1957. Since 10 September 1958, the EIC has functioned as a Committee of the United States Intelligence Board (USIB). An organizational chart of the EIC, as presently constituted, is attached.

I. EIC Accomplishments in Fiscal Year 1960.

A. Major Interdepartmental Studies.

Two semiannual reports in the series on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas (EIC-R14-S7 and S-8) covering calendar year 1959, and 26 Biweekly Reports on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas (EIC-WGR-1/ series) covering FY 1960 were published. Indexes covering the Biweeklies published in 1958 and in 1959 were also produced. These reports are widely distributed to US Government departments and agencies, to US

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missions and commands abroad. [REDACTED]

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[REDACTED] During the past year the coverage of the semiannual reports was broadened to relate noteworthy non-economic activities to the economic operations of the Sino-Soviet Bloc in order to place the economic aspects in the perspective of the Bloc objectives in the areas covered. Continued attention has been given to making available through these reports unclassified, but evaluated, data to such agencies as ICA and USIA, and through them to non-Government consumers.

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The second in the series of Summary Reports on Communist China's International Trade and Transport, 1959 (EIC-R16-S1) was prepared jointly by the EIC Subcommittees on Transportation and on International Trade and Finance, and was approved by the EIC in June 1960. A similar summary report is planned for late FY 1961 covering the year 1960.

Through an ad hoc Working Group, the EIC made a contribution to the Tripartite Study of Communications Vulnerability (EIC-R-17, October 1959), undertaken pursuant to USIB direction by the SIC in collaboration with the EIC.

Several of the EIC Subcommittees prepared and published reports and working papers in their fields: the Shipbuilding Subcommittee produced a working paper, Estimate of Production of Naval and Merchant Vessels in the USSR, 1957, 1958, and 1959 (EIC-SSC-WP-4) in July 1959; the Petroleum Subcommittee published a working paper on

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Military Consumption of Petroleum Products, Sino-Soviet Bloc, 1958 and Forecast for 1959 (EIC-PSC-WP-3) in March 1960; the Subcommittee on Electronics and Telecommunications prepared a report on Telecommunications in the Sino-Soviet Bloc (EIC-SR-4) in June 1960. The Subcommittee on Population and Manpower has in reproduction a report on Population of the Countries of the Sino-Soviet Bloc, Selected Years, 1938-1975 (EIC-SR-5), which will be distributed late in July 1960.

B. Major Secretariat Activities.

The EIC Secretariat continued its annual compilation and publication of two Survey Listings of Internal and External Economic Research Projects -- on selected non-Bloc areas and on the Sino-Soviet Bloc (EIC-S-33 and S-34). These surveys list all known US Government-conducted and Government-sponsored economic research on the geographic areas concerned,

The Secretariat, as a part of the over-all emergency planning, during Operation Alert 1959 tested the procedures for Inventory of Economic Personnel which had been developed earlier. The tests indicated that the procedures were workable and would produce the needed information, but that they should be further reviewed and refined before final acceptance.

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C. Major EIC Subcommittee Activities.

2. Within the EIC-S-1 Series -- Surveys of Priority Deficiencies of Research on the Sino-Soviet Bloc -- five of the Subcommittees undertook the production of current deficiency statements. At the close of the fiscal year, 6 Surveys had been approved by the EIC and 2 were in progress, while 3 Subcommittees submitted progress reports indicating the current status of research in their fields with their annual reports. In addition, several Subcommittees have indicated that they will undertake the preparation of or revision of priority research deficiency statements as a part of their program for FY 1961.

3. The EIC-S-16 Series -- Surveys of Priority Deficiencies of Collection on the Sino-Soviet Bloc -- and the coordination of the ORR/GI statements are two important steps in achieving a consolidated statement of the information needs of the economic intelligence community. The program has progressed somewhat slower than was anticipated,

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due to administrative and other problems which are still being worked out. The EIC Subcommittees have been forwarded 62 ORR/GI's for review since the inception of this program (24 during FY 1960). The nature and extent of the review has varied by Subcommittee, depending on the community interest in the subject and area. It has been most complete and effective in those Subcommittees where there is a wide intelligence community interest and least effective in areas of single agency interest. It is expected that within the next two years the EIC will have reviewed a sufficient number of ORR Gaps in Information Statements for them to comprise a description of the basic information needs on critical subjects within the economic intelligence community.

4. Many of the EIC Subcommittees continued the informal review of those parts of proposed research programs of the member departments and agencies falling within the purview of the individual Subcommittees. This activity, over the past several years, has proved to be an effective means for better coordination between member departments and agencies and has assisted materially in minimizing the duplication of effort within the community.

5. A number of the Subcommittees reviewed substantive agency research in their fields, [REDACTED]

[REDACTED] the Subcommittee on Shipbuilding reviewed the preliminary draft of a Feasibility Study prepared by the Department of the Navy, ONI;

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this Subcommittee also noted a methodology study prepared by CIA; the Subcommittee on Transportation reviewed a revised methodology for computing rail capacity prepared by the Department of the Army; and the Subcommittee on International Trade and Finance reviewed a Department of State paper on The Sino-Soviet Bloc as a Competitor in World Markets and a CIA support brief on USSR Currency and Price Reform.

6. The Subcommittee on Agriculture sponsored regular discussions in which specialists from the Department of State, Department of Agriculture, and CIA participated, on the effects of weather on crop production in the Bloc countries. This Subcommittee also prepared a statement on "Agricultural Statistics of the USSR and East Europe" in support of the US delegate to a meeting of an ECE/FAO Working Party on Agricultural Statistics, which was coordinated with specialists in CIA, USDA, and State.

7. The EIC, through its Subcommittee structure, has carried out its responsibilities under DCID 3/1 for the review of proposals for 2 external research projects (extensions) submitted by CIA. These proposed project extensions, totaling were approved by the EIC.

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D. Other Major Activities.

The EIC, through its ad hoc working group, with guidance from the USIB Steering Committee on Emergency Planning, prepared the Emergency Planning for Economic Intelligence (EIC-D-416), which was submitted to USIB on 20 January 1960. These plans revised earlier EIC planning in this field.

At the direction of USIB, the EIC revised the Priority National Economic Intelligence Objectives, following the revised Priority National Intelligence Objectives. Upon the recommendation of the Board of National Estimates, the USIB on 24 May 1960 decided to discontinue publication of Annexes other than the Annex on "Criteria for Determining Priority National Intelligence Objectives." It was understood that the EIC would publish, independent of USIB and under separate cover, the Priority National Economic Intelligence Objectives. EIC would report to USIB within 6 months of 24 May as to the effectiveness of the new arrangement. The EIC, however, could, at any time, refer problems for resolution to the USIB.

The EIC continued its review of Subcommittees, their activities and functions, and has proposed ways of strengthening the work of

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Subcommittees faced with special problems. The Subcommittee on Economic Defense may recommend that the Subcommittee be placed on a stand-by basis until such time as there may be a demand for its re-activation. A decision on this will be forthcoming in the near future.

II. Outlook for Fiscal Year 1961.

The Economic Intelligence Committee, beginning its tenth year as the interagency body responsible for the community-wide coordination of economic intelligence, looks forward to a year in which its activities will continue to expand in the meeting of its responsibilities. The recurring activities of the EIC, the Secretariat, and the EIC Subcommittees pose no particular problems requiring special emphasis or special USIB action. The facilities and competence of the EIC structure appear adequate to handle any special tasks which may develop. Recurring and special activities will continue to provide effective support in areas of national security interest.

The Biweekly and Semiannual Reports on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas will be continued by the EIC, with special attention to directing the content and analysis of these reports to the needs of the consumers as they are related to US national security interests in Free World areas. The Summary Report on Communist China's International Trade and Transport has been prepared covering

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1959 and a report covering 1960 has been scheduled for FY 1961. The program of review, comment, and concurrence as to general conclusions, of important research studies prepared by individual agencies which are of general interest will be continued by the appropriate Subcommittees.

Other recurring activities of the Subcommittees are expected to receive added attention. The preparation of current Surveys of Priority Research Deficiencies is being undertaken by the various Subcommittees; the problems of Surveys of Priority Collection Deficiencies will be further studied and an effort made to resolve them; the informal review of individual agency research programs within the purview of the various Subcommittees should continue to expand;

The EIC will periodically review its emergency war planning in the light of USIB guidance. In addition, the review of proposed external research projects, the revision of Priority National Economic Intelligence Objectives,

and the preparation of annual surveys of economic research will continue to be important parts of EIC responsibilities.

The EIC, in its mission of providing assistance to the Director of Central Intelligence in carrying out his responsibilities with respect

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to coordination, will continue to provide appropriate economic intelligence by calling upon the knowledge and the technical talent available to the Government.

OTTO E. GUTHE
Chairman

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ECONOMIC INTELLIGENCE COMMITTEE

Control No. 494382
EIC-D-446/1
26 July 1960

MEMORANDUM FOR: EIC Representatives of the USIB Agencies

SUBJECT: Draft Annual Report to the USIB of the EIC

1. Transmitted herewith is a draft of subject report.
2. This draft will be considered by the EIC at a meeting scheduled for 3 August at 1000 hours, Room 1121, M Building.
3. The current Organization Chart and the Chart of EIC Activities, which are customarily a part of these reports, are not included in this draft, but will be included in the final report.


Executive Secretary

**Attachment:
as stated**

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ECONOMIC INTELLIGENCE COMMITTEE

Control No. 494486
EIC-D-446/2
5 August 1960

MEMORANDUM FOR: EIC Representatives of the USIB Agencies

SUBJECT: Transmittal of Revised Draft Annual Report of
the EIC to USIB

Attached for your review and approval is the revised draft of
subject report. Please give your comments to the EIC Secretariat

by c.o.b. 10 August 1960.

Executive Secretary

Attachment:
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**ANNUAL REPORT TO THE USIB
OF THE
ECONOMIC INTELLIGENCE COMMITTEE**

August 1960

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Revised DRAFT
4 August 1960

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C. Major Activities of the EIC Subcommittees.

During the fiscal year there has been an increase in interest and direct participation in the activities of many of the EIC Subcommittees. Four of the Subcommittees acquired one additional member from departments or agencies not previously participating. In addition to the Subcommittee reports and working papers indicated above, the following are some of the highlights of the Subcommittee activities. (Detailed activities are set out in the Production and Activities Chart, attached.)

2. Surveys of Priority Deficiencies of Research on the Sino-Soviet Bloc. Within the EIC-S-1 Series, five of the Subcommittees undertook the production of current deficiency statements. At the close of the year, 6 surveys had been approved by the EIC and 2 were in progress, while 3 Subcommittees submitted progress reports indicating the current status of research in their fields with their annual reports.

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Several Subcommittees have indicated that they will undertake the preparation of, or revision of, priority research deficiency statements as a part of their FY 1961 program.

3. Surveys of Priority Deficiencies of Collection on the Sino-Soviet Bloc. The preparation of collection deficiency statements in the EIC-S-16 Series and the coordination of the ORR Gaps in Information (ORR/GI) statements are two important steps in achieving a consolidated statement of the information needs of the economic intelligence community. Three surveys of priority collection deficiencies were approved by the EIC during FY 1960 and 1 survey is in preparation. The program has progressed somewhat slower than was anticipated, due to administrative and other problems which are still being worked out. The EIC Subcommittees have been forwarded 62 ORR/GI's for review since the inception of this program (24 during FY 1960). The nature and extent of the review has varied by Subcommittee, and has been most complete and effective in those Subcommittees where there is a wide intelligence community interest and least effective in areas of single agency interest. It is expected that within the next two years the EIC will have reviewed a sufficient number of ORR/GI's for them to comprise a description of the basic information needs on critical subjects within the economic intelligence community.

4. Informal Review of Research Programs. Many of the EIC Subcommittees continued the informal review of pertinent parts of

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proposed research programs of the member departments and agencies. This activity, over the past several years, has proved to be an effective means for better coordination between member departments and agencies and has assisted materially in minimizing the duplication of effort within the community.

5. Review of Substantive Research. A number of the Subcommittees reviewed substantive agency research in their fields.

[redacted] the Subcommittee on Shipbuilding reviewed the preliminary draft of a Feasibility Study prepared by the Department of the Navy, ONI, and also noted a methodology study prepared by CIA; the Subcommittee on Transportation reviewed a revised methodology for computing rail capacity prepared by the Department of the Army; and the Subcommittee on International Trade and Finance reviewed a Department of State paper on The Sino-Soviet Bloc as a Competitor in World Markets and a CIA support brief on USSR Currency and Price Reform.

6. Special Coordination Activities. The Subcommittee on Agriculture sponsored regular discussions in which specialists from the Department of State, Department of Agriculture, and CIA participated, on the effects of weather on crop production in the Bloc countries. This Subcommittee also prepared a statement on "Agricultural Statistics of the USSR and East Europe" in support of the US

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delegate to a meeting of an ECE/FAO Working Party on Agricultural Statistics, which was coordinated with specialists in CIA, USDA, and State.

7. Review of External Research Projects. The EIC, through its Subcommittee structure, in carrying out its responsibilities under DCID 3/1, reviewed proposals for the extension of 2 external research projects submitted by CIA. These proposed project extensions, totaling were approved by the EIC.

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D. Other Major Activities.

The EIC, through its ad hoc working group, with guidance from the USIB Steering Committee on Emergency Planning, prepared the Emergency Planning for Economic Intelligence (EIC-D-416), which was submitted to USIB on 20 January 1960. These plans revised earlier EIC planning in this field.

At the direction of USIB, the EIC revised the Priority National Economic Intelligence Objectives, following the revised Priority National

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Intelligence Objectives. Upon the recommendation of the Board of National Estimates, the USIB on 24 May 1960 decided to discontinue publication of Annexes other than the Annex on "Criteria for Determining Priority National Intelligence Objectives." The EIC is considering the desirability of the independent publication of the Priority Economic Intelligence Objectives.

The EIC continued its review of Subcommittees, their activities and functions, and has proposed ways of strengthening the work of Subcommittees faced with special problems.

II. Outlook for Fiscal Year 1961.

At the beginning of its tenth year, the EIC looks forward to the continued, active discharge of its responsibilities for production and coordination of community-wide economic intelligence in support of national security interests. The recurring activities of the EIC, the Secretariat, and the EIC Subcommittees pose no particular problems requiring special emphasis or special USIB action. The facilities and competence of the EIC structure appear adequate to handle any special tasks which may develop.

The Biweekly and Semiannual Reports on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas will be continued by the EIC, with special attention to directing the content and analysis of these reports to the needs of the consumers as they are related to US national security interests in Free World areas. The Summary of the International Trade and Transport of Communist China has been prepared covering 1959 and

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the problems of Surveys of Priority Collection Deficiencies will be further studied and an effort made to resolve them. The informal review of individual agency research programs within the purview of the various Subcommittees should continue to expand.

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The EIC will periodically review its emergency war planning in the light of USIB guidance. In addition, the review of proposed external research projects,

and the preparation of annual surveys of economic research projects will continue to be important parts of EIC responsibilities.

The EIC, in its mission of providing assistance to the Director of Central Intelligence in carrying out his responsibilities with respect to coordination, will continue to provide appropriate economic intelligence by calling upon the knowledge and the technical talent available to the Government.

Acting Chairman

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